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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
ROBERT W. SWANSON, ACTING DIRECTOR

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COMMISSIONER

BILL ANALYSIS

BILL NUMBER: House Bills 5815 and 5816 (as introduced)
TOPIC: Student Health Insurance
SPONSOR: Rep. Phillip Pavlov
CO-SPONSORS: Rep. Sheltrown, Gaffney, Vander Veen, Emmons and Acciavatti
COMMITTEE: Committee on Insurance
DATE: May 24, 2006

POSITION

The Office of Financial and Insurance Services (OFIS) supports this legislation.

PROBLEM/BACKGROUND

Many health insurance carriers allow insureds and certificate holders to maintain coverage for their dependents past the age that dependent would otherwise be taken off the policy, if that dependent is enrolled either full-time or part-time as a student. The dependent is able to maintain health coverage as long as the dependent is a student. However, once the dependent is no longer classified as a student, he or she must be removed from the policy as an insured party. The change in classification occurs when the dependent is no longer actively enrolled in a higher education program.

If the dependent student becomes ill and for medical reasons can no longer attend classes and does not enroll in the next semester or term, they lose their health insurance coverage just at the time they really need it. These students and their parents need to be protected from a loss of coverage that could be financially devastating to the family.

DESCRIPTION OF BILL

The bill adds section 2264a to the Insurance Code of 1956. This new section requires health insurance carriers to continue coverage for a dependent student if the student takes a leave of absence from school due to illness or injury. The continuation of coverage is required for 12 months from the last day of attendance in school or until the

dependent reaches the age at which coverage would otherwise terminate, whichever period is shorter. The student's physician will be required to certify to the medical necessity of the leave of absence.

House Bill 5816 puts these same requirements into the Nonprofit Health Care Corporation Reform Act, 1980 PA 350.

SUMMARY OF ARGUMENTS

Pro

This provision will allow families to maintain insurance coverage on a dependent if illness or injury forces that dependent to take a leave of absence from school. Instead of having to go out and seek new coverage for the student at a time when it is most difficult, when they are ill, they can continue the policy in force and receive benefits. It is not always possible for a student to continue their attendance in school if they become ill or injured. Losing their health insurance at that point presents an even greater hardship for the student and the family. This proposed legislation gives the student and the family 12 months to recover and to again become enrolled in school before the student's coverage is cancelled.

Insurance companies want to encourage parents to keep their children on the policy as long as they are eligible students, since the employer or parents continue to pay the premium for the students. Students are generally a healthier population and presumably, the risk they bear to the company is not as significant as other age groups.

Con

None known.

FISCAL/ECONOMIC IMPACT

OFIS has identified the following revenue or budgetary implications in the bill as follows:

(a) To the Office of Financial and Insurance Services: None

Budgetary:

Revenue:

Comments:

(b) To the Department of Labor and Economic Growth: None known.

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None known.

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None known.

Comments:

OTHER STATE DEPARTMENTS

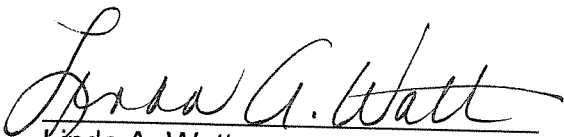
None known.

ANY OTHER PERTINENT INFORMATION

None

ADMINISTRATIVE RULES IMPACT

OFIS has general rulemaking under both the Insurance Code of 1956 and the Nonprofit Health Care Corporation Reform Act.



Linda A. Watters
Commissioner

5-24-06

Date